Web financial results explanation meeting
for the Second Quarter of the Fiscal Year Ending March 31, 2022
Outline of Questions and Answers
Date and time: 17:00-18:30 on Wednesday, November 10, 2021

Q.The company is planning to redevelop Shinjuku and Nihombashi with an operating profit target of ¥50 billion over the long-term 10-year span. Can we consider that this ¥50 billion target and the profits generated by redevelopment separately?

Yes,that's right. If the redevelopment of the 2 main stores bears fruit, it will surely be over ¥50 billion.

Q.In redevelopment, since the unrealized gains on the land held are large, is it possible to think that monetization of the land included in the redevelopment will generate profits in excess of the amount of investment?

That's right. The investment is also large, but we expect further returns.

Q.This time, for the first time, you announced the concept of cash allocation, and its policy to expand shareholder returns as well. If this plan is realized, I think it will become easier to generate free cash flow in the next 3 years. Can you expect to further increase shareholder returns in that case?

I want you to expect. We would like to do this while assuming various patterns.

Q.In-house card 10% customers are strong, but do you expect them to continue? There can be a view that the current strong performance is temporary, but what do you think about the sustainability of the strong performance?

The number of high net worth individuals continues to expand as a market, and the number of customers we are targeting is also expanding. Since this is not due to the fact that the average spend per customer is rising, we expect it to be able to capture it in the future as well.

Q.After announcing the outline of the plan in May, do you have any initiatives that have produced results in the past 6 months?

For In-house card 10% customers and out-of-store customers, the top line is positive. As a result of the establishment of a system that enables the company to make new proposals to customers, such as through collaboration with buyers, a number of 1.5 times was achieved at special sales meetings for top customers conducted earlier. In addition, by thoroughly analyzing the cost structure of department stores, in terms of cost reductions in 1H alone, we achieved a result of ¥10.3 billion, which greatly exceeded the initial plan.

Q.<u>What do you think is the most different from the past medium-term plan, and what do you see as the biggest bottleneck in achieving this medium-term plan?</u>

Concerning the preparation method, the idea and mindset of the whole company changed dramatically. As a result of shifting from a top-down model to a build-in model, the feeling of conviction in employees differs greatly from the past. Over the last 6 months, I and each department discussed the issue thoroughly, and as a result I was able to analyze department stores.
While we are confident about the wealthy customers in achieving the plan, we think it is necessary to think a little bit about inbound tourists. We would like to return to the 2018-year actual result of COVID-19 before, which is about ¥70 billion. However, in the event that inbound tourists do not perform as planned, the Company is considering hedging by further promoting cost structure reforms and other measures.
As for the internal environment, stronger intra-Group coordination is viewed as important. We will eliminate vertical segmentation so that all group companies can generate profits in the same direction. We will make efforts to create an organization and transfer personnel for this purpose in the future.

Q.<u>Regarding the utilization of resources within the group, can we understand that the present store will not close but will use all of the resources in the group to implement this plan?</u>

It cannot be said to be 100%. With customer assets,I want to determine it by analyzing scientifically how customers shop at cards, e-commerce, and stores. However, since some overseas companies do not have client assets, we will carefully examine these areas.

Q.<u>In the plan for this fiscal year, sales were said to be the biggest issue. You said that Isetan Mitsukoshi Ltd appears to have a certain level, but what do you think about regional department stores?</u>

For regional operating companies, sales are viewed at 93% compared to the second half and Fiscal

Year 2018. Although the pace of return is slower than in the Tokyo metropolitan area, the company is not pessimistic.

Q.Matsuyama Mitsukoshi plans to remain in the red for the full year, but how do you see profits from the next fiscal year? Also, do you have any plans to rebuild?

Matsuyama Mitsukoshi will open its first refurbishment on October 6, with a grand opening on December 10. In the first half of this fiscal year, it was in the red due to the shrinking sales floor due to construction work　but it is expected to be in the black in the second half, and it is planned to be in the black throughout the fiscal year in the next fiscal year. There is nothing we can tell you about future development at this point in time.